

**Exhibit-E: KeySpan Energy Delivery - NH DSM/MT Program Year Three (2005-2006): Shareholder Incentive Calculation - September 1, 2006**

Program	Expenditures (Budget) for Program Year 3	Design Goal for PY 3	Projected Lifetime Therms Savings <sup>1</sup>	Actual Lifetime Therm Savings <sup>2</sup>	Actual LTT/Projected LTT	Projected TRC <sup>3</sup>	Actual TRC <sup>4</sup>	Actual TRC/Projected TRC	Lifetime Savings Incentive	Cost-effectiveness Incentive	Actual Pre Tax Design Incentive
<b>Residential</b>											
Low Income	\$ 429,930	140 Participants	1,109,950	1,220,950	1.100	3.70	3.98	1.08			
Residential Weatherization	\$ 36,227	75 Rebates	662,400	733,060	1.107	5.09	5.25	1.03			
Residential High Efficiency Heating	\$ 146,664	100 Rebates	2,145,000	1,623,600	0.757	7.66	6.69	0.87			
Residential High Efficiency Water Heating	\$ 32,939	650 Rebates	153,000	137,700	0.900	2.81	2.93	1.04			
Energy Star Windows	\$ 32,883	2500 Rebates	196,260	272,650	1.389	3.39	3.28	0.97			
Energy Star Thermostats	\$ 47,234	650 Rebates	286,000	300,960	1.052	5.14	6.33	1.23			
Energy Star Homes	\$ 35,112	70 Participants	476,000	544,000	1.143	3.03	3.28	1.08			
Energy Analysis: Internet Audit Guide	\$ 15,605	750 New Users									
Residential Conservation Services	\$ 60,304	600 Participants									
<b>Total</b>	<b>\$ 836,898</b>		<b>5,028,610</b>	<b>4,832,920</b>	<b>0.961</b>	<b>4.42</b>	<b>4.26</b>	<b>0.96</b>	<b>\$ 36,824</b>	<b>\$ 25,274</b>	<b>\$ 62,098</b>
<b>C&amp;I and Multifamily</b>											
Commercial Energy Efficiency Program	\$ 527,559	100 Participants	4,073,760	4,603,350	1.130	4.79	5.60	1.17			
Commercial High Efficiency Heating	\$ 165,000	110 Rebates	713,220	1,828,500	2.564	4.44	8.31	1.87			
Economic Redevelopment	\$ 143,237	3 projects	523,500	349,000	0.667	2.41	3.15	1.31			
C&I Energy Analysis: Internet Audit	\$ 22,291	200 New Users									
Trade Ally Education and Codes & Standards	\$ 44,913	250 Participants									
<b>Total - C&amp;I and Multifamily</b>	<b>\$ 903,000</b>		<b>5,310,480</b>	<b>6,780,850</b>	<b>1.277</b>	<b>4.05</b>	<b>5.64</b>	<b>1.39</b>	<b>\$ 63,481</b>	<b>\$ 43,886</b>	<b>\$ 107,367</b>
<b>Total of Column</b>	<b>\$1,739,898</b>								<b>TOTAL Incentive</b>		<b>\$ 169,465</b>

**Notes:**

This shareholder incentive calculation is based on the methodology described in NH PUC Order 24,109 of December 31, 2002.

Threshold: KeySpan must achieve a minimum "threshold" performance before being eligible to earn an incentive

For the cost-effectiveness component, KeySpan must achieve an actual year-end TRC of 1.0 before any incentive can be earned

For the energy savings component, KeySpan must achieve a minimum of 65% of projected lifetime therm savings before any incentive can be earned

Once the threshold is achieved, the earned incentive will be on a sliding scale from 0% to 12%

**Assumptions:**

Design Target Incentive = 8%

Incentive Calculation Formula:  $Incentive_{RES} = Expenditures_{RES} \times \{ [4\% \times (TRC_{Actual} / TRC_{Projected})] + [4\% \times Lifetime\ Therm\ Savings_{Actual} / Lifetime\ Therm\ Savings_{Projected}] \}$

Plus

$Incentive_{C\&I} = Expenditures_{C\&I} \times \{ [4\% \times (TRC_{Actual} / TRC_{Projected})] + [4\% \times Lifetime\ Therm\ Savings_{Actual} / Lifetime\ Therm\ Savings_{Projected}] \}$

<sup>1</sup>Per a September 9, 2005 E-mail from Jim Cunningham of the NH PUC to Subid Wagley of KED, the source of the projected lifetime therm savings for each KED New Hampshire natural gas energy efficiency program and the source of the projected benefit/cost ratios by program is KeySpan's response to NH PUC Staff Data Request 2-31, Pages 3 to 6, Docket DG 04-152, filed by attorney Steven V. Camerino on November 22, 2004).

<sup>2</sup>From the updated Exhibit G showing actual Program Year 3 results.

<sup>3,4</sup>Per a September 20, 2005 E-mail from Jim Cunningham of the NH PUC to Subid Wagley of KED, the source of the Lifetime savings and Cost Effectiveness incentive calculations are derived from the updated and streamlined version of the template used by the PUC called "Computation of Actual Performance Incentive-Program Year Two" of DG 02-106 and DG 05-141. In the Commission approved Settlement Agreement that is part of Order 24,109, the Settling Parties and Staff agree to adopt the simplified Staff template of November 2002 ("Staff Template") attached to the Settlement Agreement as Exhibit G. This template shall be used only for purposes of establishing a benchmark for the Gas Utilities' incentive sharing mechanism described in Section II(H) of the Settlement Agreement. The Staff Template allows for an evaluation of the Programs on a year-by-year basis.